



Amended FY 2007 & FY 2008 Program Budgets

Presentation to the
Board of Community Health
August 10, 2006



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- B. Cost Management to Date
- C. Fiscal Status

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Snap Shot of Medicaid

- Georgia Medicaid serves **1.3 million** Georgians
- Total budget \$7.7 billion, including \$2.3 billion state funds
- Medicaid Fee For Service:
 - Foster Care
 - Aged, Blind and Disabled
 - Nursing home & long term care
 - Home & Community Based Waiver
- Medicaid Managed Care:
 - Low Income Medicaid for Children and Adults
 - Right from the Start Medicaid for Children & Pregnant Women
 - Breast and Cervical Cancer Program participants

Medicaid Cost Management Initiatives to Date

FY 2004 - 2005

- Pharmacy Program
 - Preferred Drug List
 - Supplemental Rebates
 - Quantity Limits
- Outpatient hospital reimbursement reduced

FY 2006

- Care Management Organizations Statewide capitated program for Low Income Medicaid and PeachCare for Kids
- Disease Management for select Aged, Blind, and Disabled members

FY 2006 (continued)

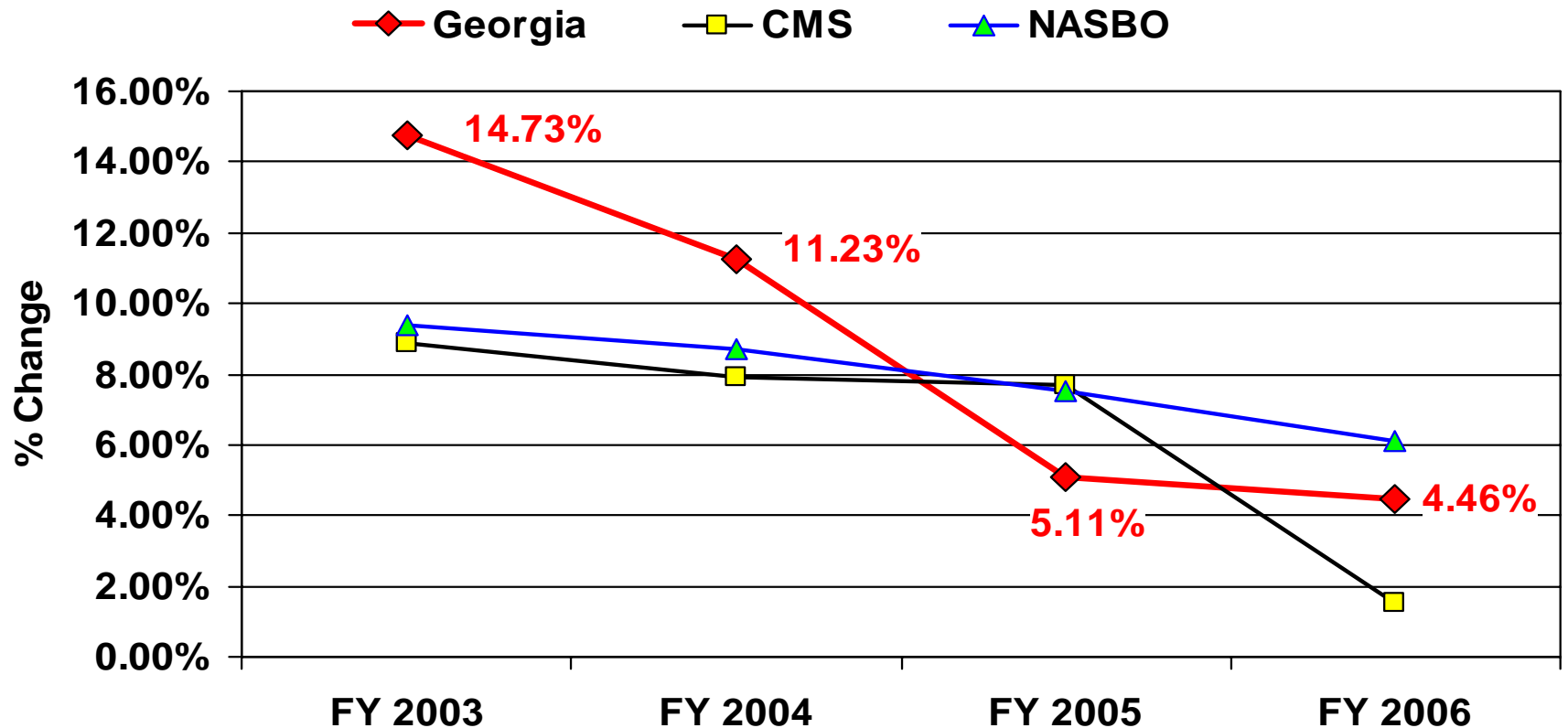
- Eligibility Criteria more stringently applied
 - Emergency Medical Assistance
 - Katie Beckett (FY 2005)
 - Proof of Citizenship and Income
 - Asset Transfer for Long Term Care
- Medicare Part D implementation

FY 2007

- Administrative Services for non-CMO members
 - Clinical Reviews
 - Fraud and Abuse
 - Level of Care Determination

Impact of Medicaid Cost Management

Annual Increases in Medicaid Benefit Expenditures



CMS/NASBO SOURCE: Medstat FY 2006 Cost Driver Report

DCH SOURCE: DCH July 2006 Projections

Medicaid as a Percentage of Total Appropriations - 2005

Agency	Georgia	Southeast	National	GA Rank	
				SE*	Nat'l
K-12 Education	25.5%	19.5%	21.9%	1	8
Medicaid	19.1%	22.4%	22.5%	9	34
Higher Education	18.8%	13.6%	10.8%	2	7
Transportation	5.5%	8.4%	8.1%	12	46
Corrections	3.9%	2.8%	3.4%	1	11
Public Assistance	1.8%	0.8%	2.0%	2	14
All Other	25.4%	32.5%	31.3%	10	43
NOTE: Does not include capital outlay appropriations					
* Of 12 States (AL, AR, FL, GA, KY, LA, MS, NC, SC, TN, VA, WV)					

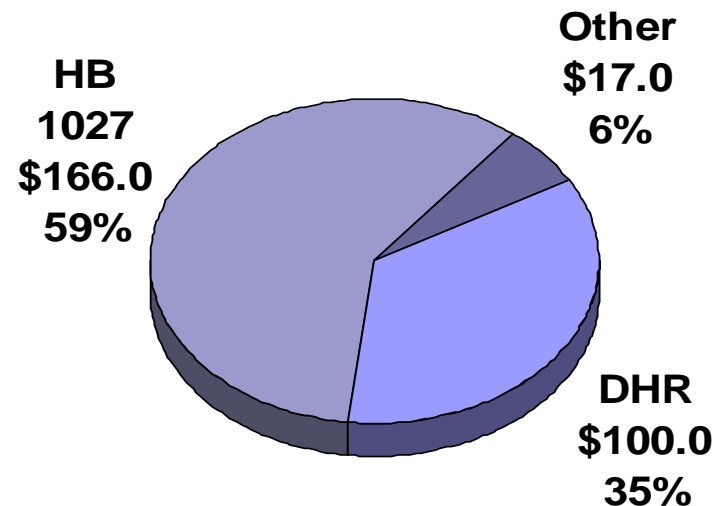
SOURCE: 2004 NASBO Survey

Medicaid Benefit Funds: Carry Forward From FY 2006 to FY 2007

FY 2006

- Incurred expense projected to be **4.5%** higher as compared to FY 2005
 - Medicaid enrollment increase of **1.67%**
 - Increase in other agency funded programs (waivers)
 - Increase in physician and inpatient services
 - Decreases in net drug expenses from Part D
 - Reduction in interim payments for outpatient hospital services

FY 2006 Benefits Carry Forward



Estimated FY 2007 Carry Over: \$283 million*

*Revenue minus cash expenditures = amount that may be carried over

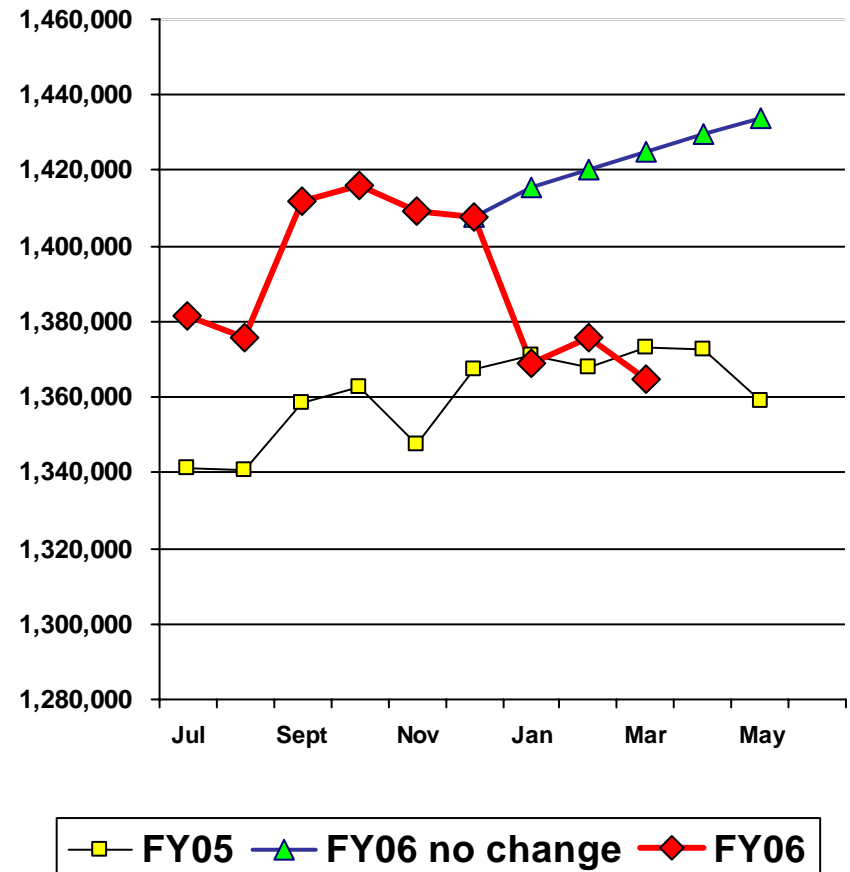
*Final FY 2006 balance sheet not available until September 2006

Current Fiscal Status (FY 2007)

FY 2007

- Incurred expense projected to be **4.3%** higher as compared to FY 2006
 - **1.22%** growth in enrollment
 - PMPM reduced due to managed care implementation
- **Likely** that appropriations are enough to cover projected cash expenditures (as of 7/06)
- Areas that could change 07 status:
 - Any change in estimated FY 2006 final carry forward amount
 - Enrollment changes from CY 06 eligibility initiatives
 - ROI of medical management of aged, blind, and disabled populations

Medicaid Monthly Enrollment



Projected Future Fiscal Status (FY 2008)

FY 2008

- Incurred benefits expense projected to be **5.8%** higher (\$391.7 in Total Expense) as compared to FY 2007
- **Growth in State Fund Need disproportionately more than Growth in Total Fund Need**
Estimated \$250 - \$300 million in Medicaid Benefit state funds will be needed for FY 2008

WHY?

- No more carry forward funding left to bring into FY 2008
(Compared to the \$166 million in state matching funds budgeted in FY 2007 per HB 1027)
- Projected **3.75%** enrollment growth - ~50,000 members
- Assume inflationary growth in CMO capitation rates

PeachCare for Kids



Snap Shot of PeachCare

- **PeachCare for Kids serves 250,000 Children**
- Comprehensive health care program for uninsured children living in Georgia whose family income is at or below **235% FPL**.
- The health benefits include primary, **preventive**, specialist, dental care and vision care. PeachCare also covers hospitalization, emergency room services, prescription medications and mental health care.
- Georgia **ranks fourth nationally in numbers** of enrolled children. Only California, New York and Florida have enrolled more children.
- FY 2007 Budget = **\$249,664,212**
- Federal Match: **73%**



PeachCare: Items Impacting Fiscal Status

■ Enrollment

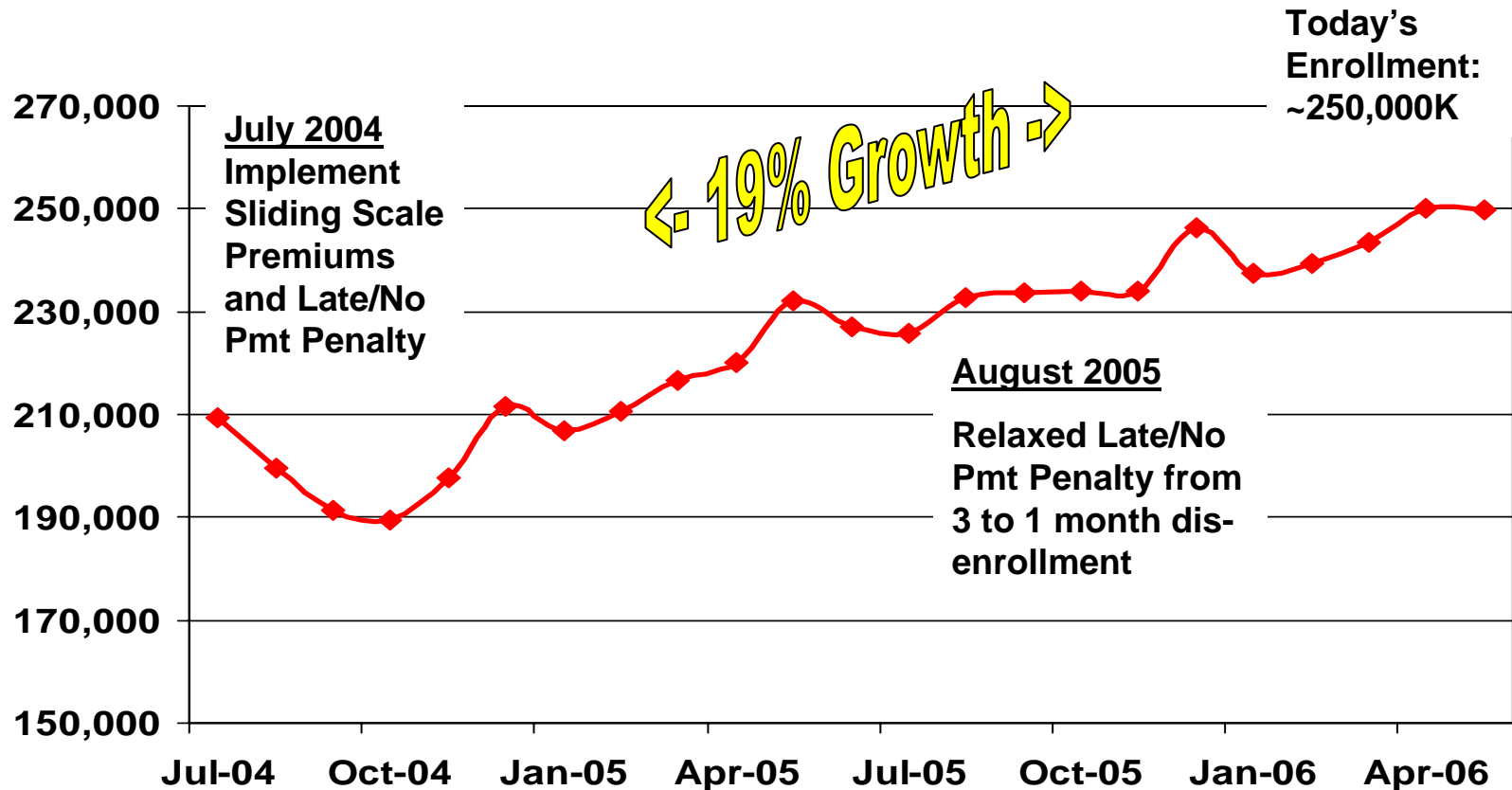
- **19%** increase in average monthly enrollment since FY **2005**
- PeachCare as a percentage of all children served by DCH is growing
 - Suggests: Children moving from Medicaid to PeachCare?
 - **“Although public coverage in Georgia is slightly lower than in the rest of the nation, coverage under the S-CHIP program (called PeachCare for Kids in Georgia) is substantially higher in Georgia than in the rest of the country (3 percent versus 1 percent).”** (*Sources of Health Insurance Coverage in Georgia 2004*, Centers for Health Services Research, GSU)

■ Conversion to Capitation

- **PMPM higher** in CMO than in FFS
 - Based on bids of CMO's; actuarially validated by Mercer
 - Cost of CMO Quality Assessment Fee new to PMPM
 - Cost in PeachCare offset by savings in Medicaid, resulting in a net savings for both programs
- **Cash to accrual basis change-** one time cost in federal funds needed in FY 2007 to offset change

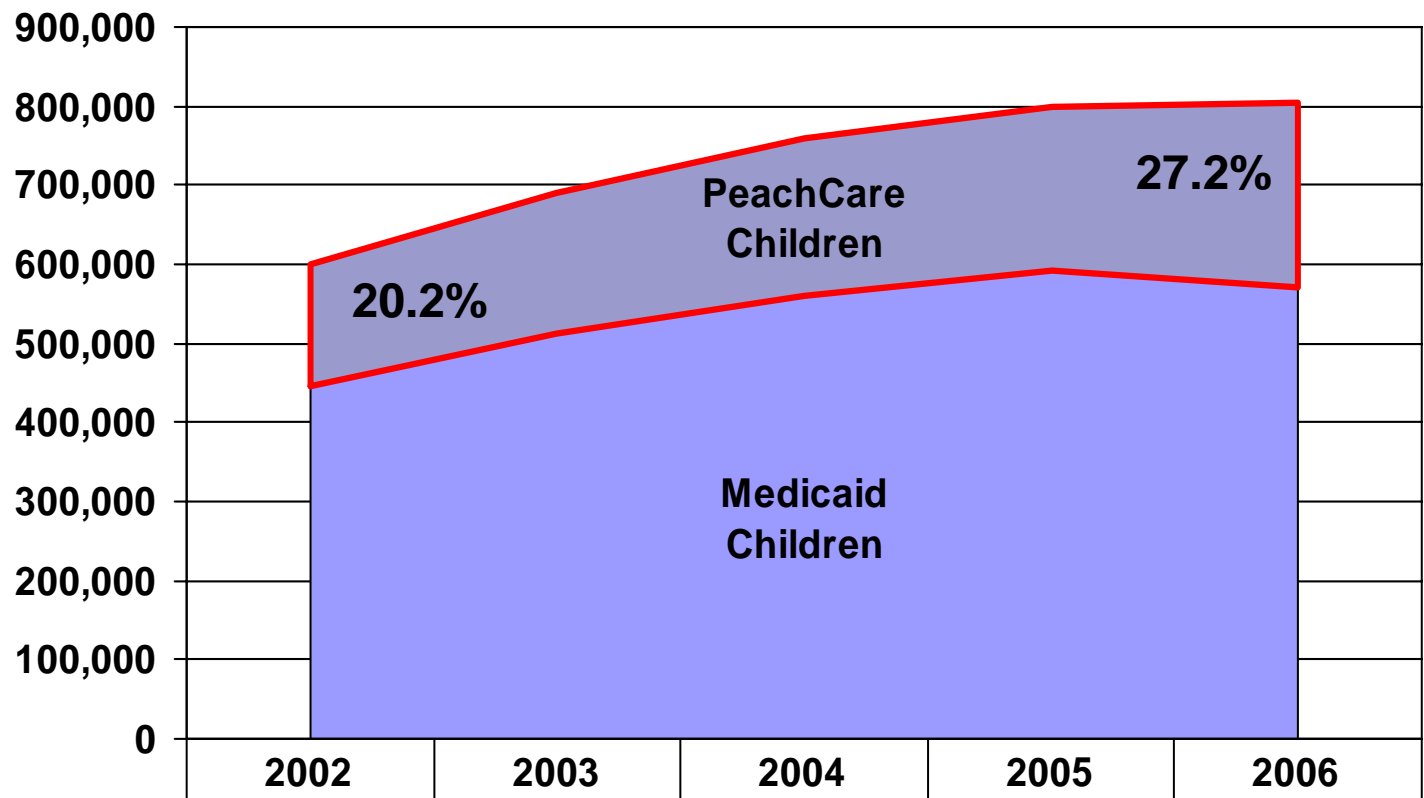
■ Limited Federal Funds

PeachCare for Kids Monthly Enrollment History



Children Covered By DCH Public Programs

Average Monthly Enrollment Children 0 -18



■ PeachCare Children	152,558	178,786	197,787	205,625	234,273
■ Medicaid Children	447,090	511,153	561,044	592,595	570,969

Federal Funds - SCHIP Allotment

The Purpose of SCHIP:

- As stated in its authoring legislation (BBA 97; Public Law 105-33):
“The purpose of this title is to provide funds to States to enable them to initiate and expand the provision of child health assistance to uninsured, low-income children ...”

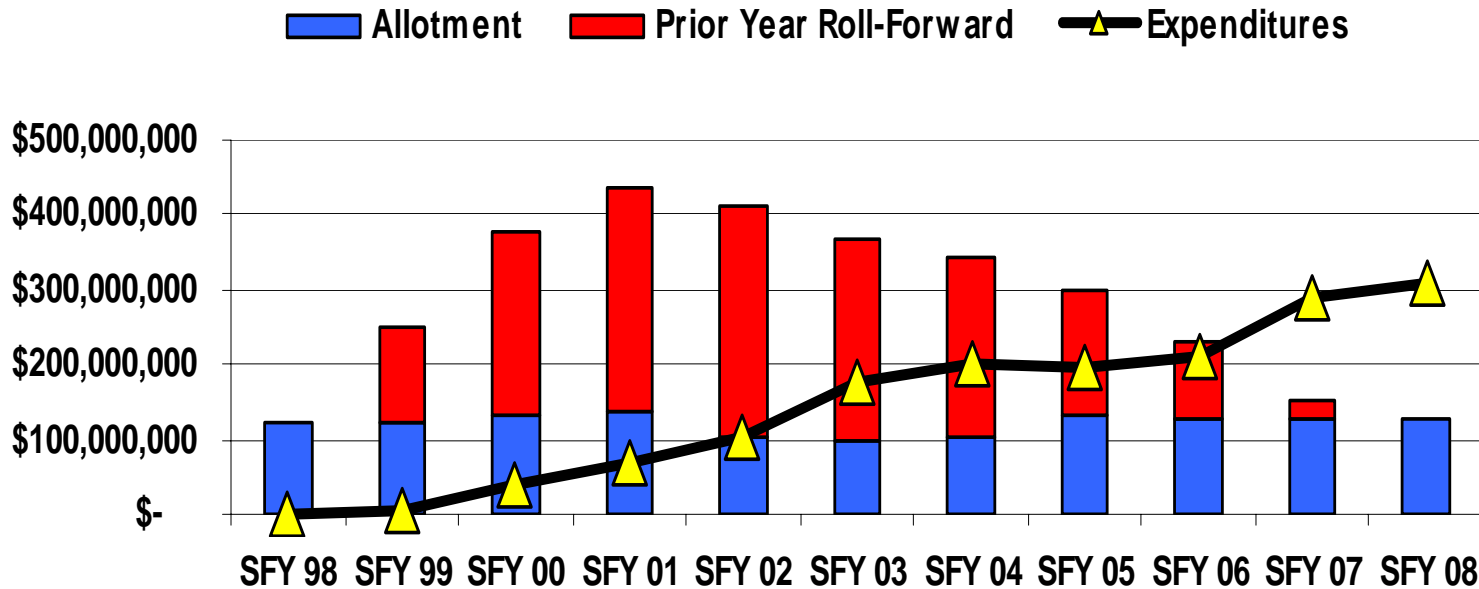
The Issue:

- In spite of there being over \$1 Billion in surplus federal funds nationwide, several states including Georgia will have a significant deficit of federal funding this year while attempting to continue to address the needs of low income children.

WHY? The SCHIP allotment formula:

- Unchanged since its creation in 1997/98
- Does not consider maintenance of effort
- Not reviewed often enough to consider policy and population changes
- States have a long time to spend surplus

Georgia's Federal Fund Deficit



SFY	Allotment	Prior Year Roll-Forward	Expenditures	Deficit
SFY 04	\$ 103,892,954	\$ 240,977,573	\$ 199,362,901	\$ 145,507,626
SFY 05	\$ 130,915,014	\$ 168,158,423	\$ 197,281,627	\$ 101,791,810
SFY 06	\$ 129,457,875	\$ 101,791,810	\$ 210,567,421	\$ 20,682,264
SFY 07	\$ 129,457,875	\$ 20,682,264	\$ 290,782,063	\$ (140,641,925)
SFY 08	\$ 129,457,875	\$ 0	\$ 308,127,935	\$ (178,670,060)

Federal Funds - SCHIP Allotment

The Federal Solutions:

- 1- **Redistribute current national surplus:** Evaluate current status of federal funds in the states i.e. states with immediate funding need because of a deficit in federal funds and those states able to share a portion of their unused federal allotments.
- 2- **Federal Legislation to shorten** the funding cycle from 3 to 2 years allowing more timely review of state needs, deficits and surpluses for redistribution.
- 3- **Develop a new allotment formula.** See the description of the components of the current formula below.

The new formula should include:

- A) Maintenance of effort funds for children already in SCHIP programs.
- B) Mechanisms to ensure a more accurate count of the uninsured & those with low incomes.
- C) A determination if a more relevant measure can be used in determining the “cost factor” part of the formula.

PeachCare for Kids Fiscal Status

State Fund Need:	FY 2007A	FY 2008
State fund shortfall (accrual)	\$12.2	\$18.3
Fund federal share of PeachCare due to depletion of federal allotment	\$ 140.6	\$178.7
TOTAL	\$152.8	\$197.0

- FY 2007 Projected Enrollment Growth: 7.45%
 - FY 2008 Projected Enrollment Growth: 6.9%
 - FY 2008 Project PMPY Growth for CMO Inflation Adjustment
- Federal Funds Projected Cash Depletion Date: January 2007**



State Health Benefit Plan

Snap Shot of SHBP

- The State Health Benefit Plan serves **641,422** people
- Provides health insurance coverage to
 - state employees
 - school system employees
 - retirees
 - and their dependents
- Enrollment Growth Rate: **2.5%**
- Expenditure Growth Rate: **12%**

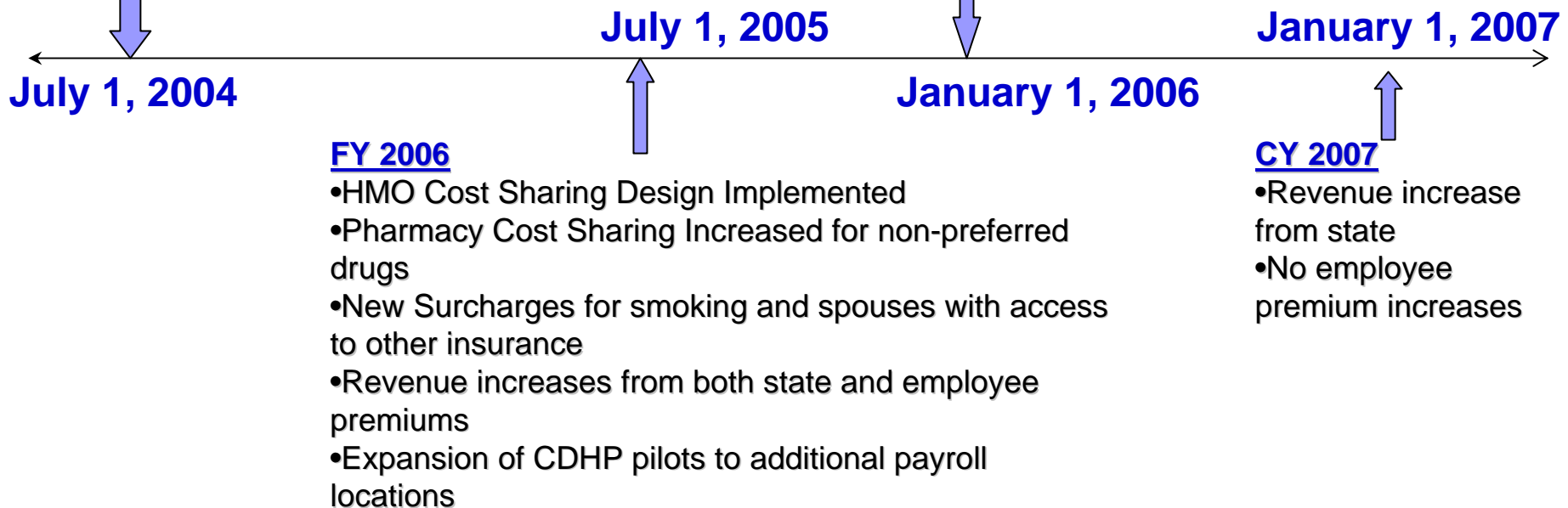
Recent Changes to SHBP

FY 2005

- Rx Design Plan Change
- Additional Co-Pays
- New Consumer Directed Health Plans (CDHP) as Pilot Program
- Dependent audits to validate eligibility
- Revenue increases from state contributions and employee premiums

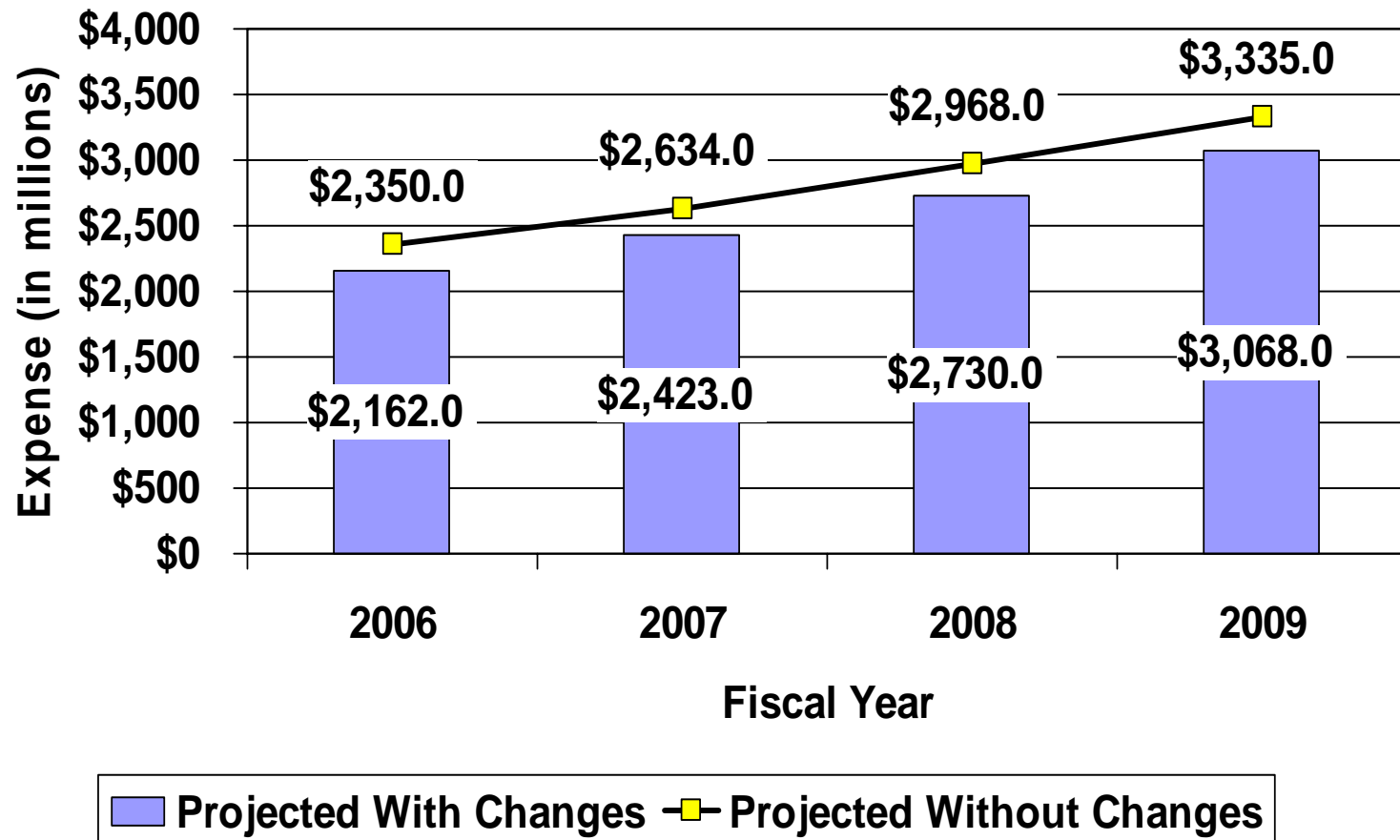
CY 2006

- United Healthcare administering PPO and TPA
- Medicare Part D implementation
- Administrative contract consolidation

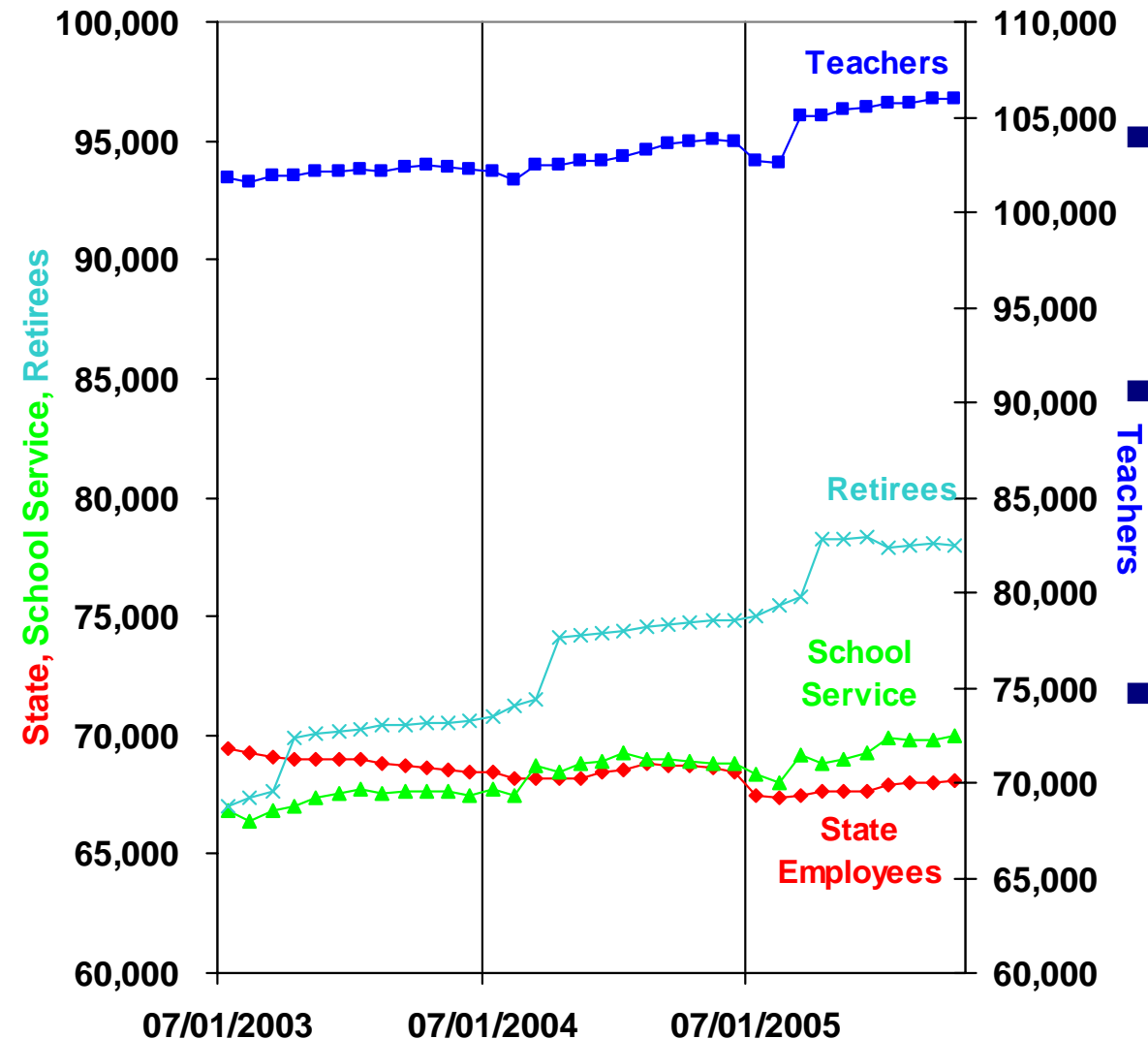


Impact of Changes on Trend

- Changes made since FY 2004 are projected to save the SHBP \$900 Million by the end of FY 2009



SHBP Membership Growth



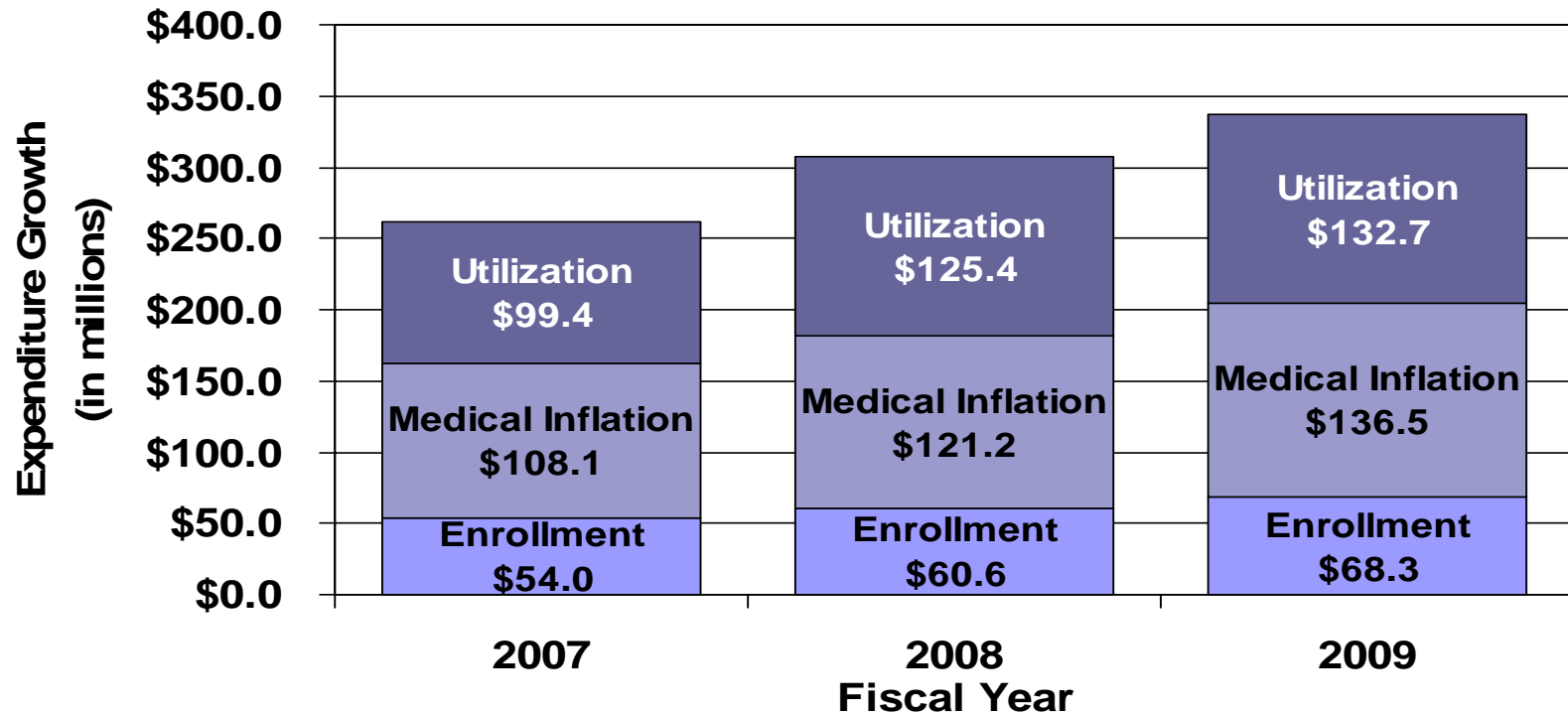
Membership is Growing

Teachers and school service personnel are increasing as the student population grows

As the workforce retires, retirees retain SHBP coverage while their replacement elects new coverage

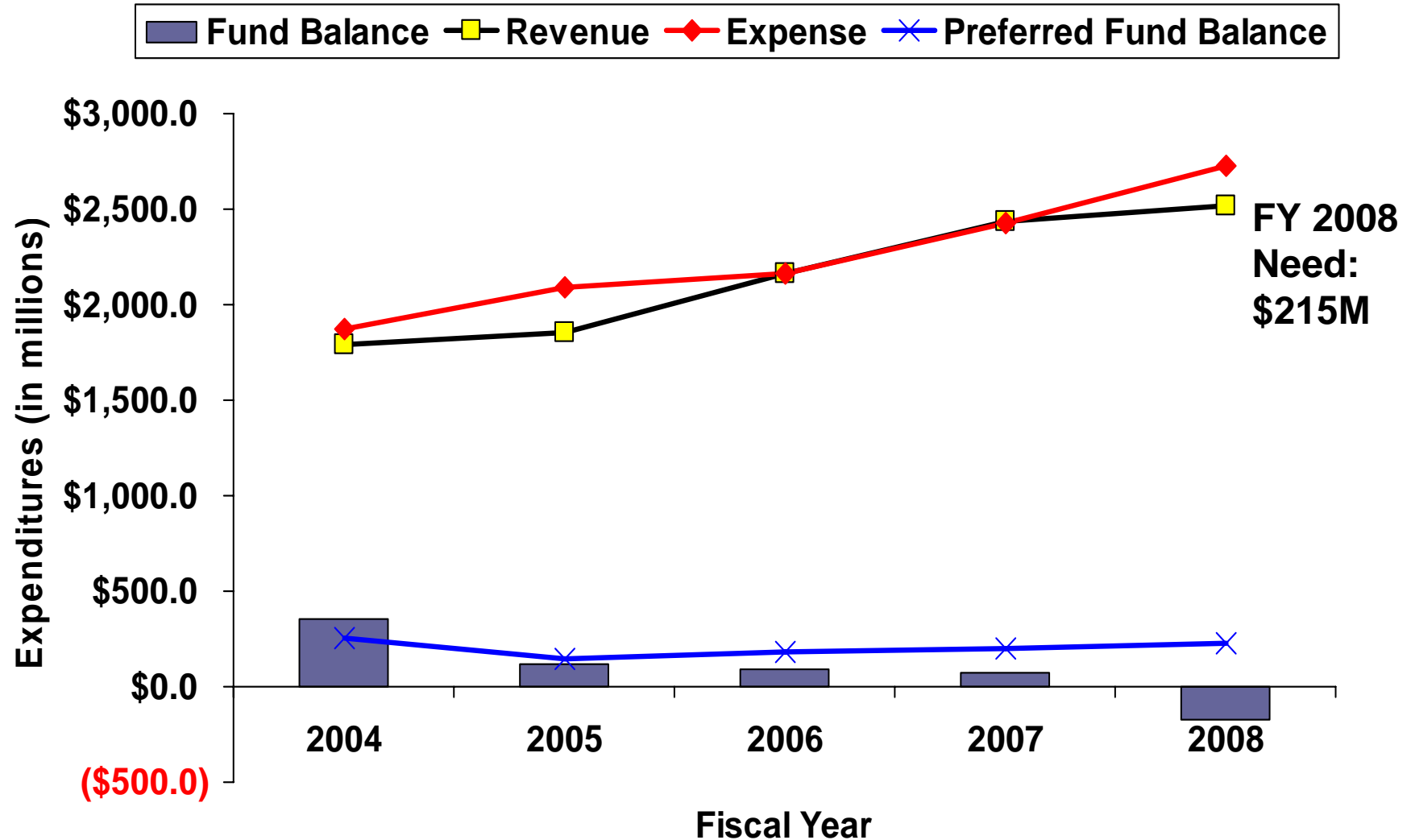
Lack of other affordable insurance options drives eligible employees to elect SHBP coverage

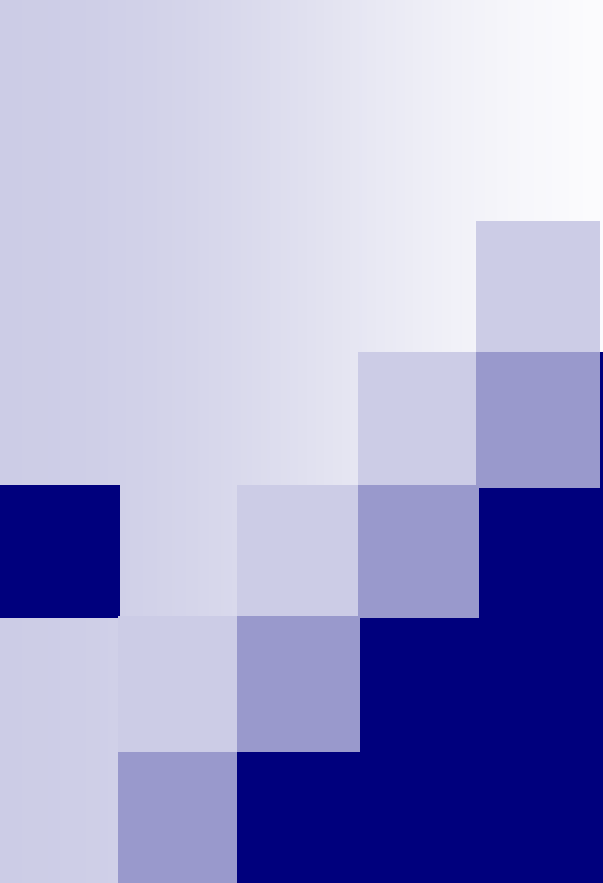
Expense Growth by Cost Driver



Future Opportunities for Cost Control: primarily in Utilization.
DCH has little control over medical inflation and no control over enrollment

Fiscal Status





GOVERNOR'S BUDGET INSTRUCTIONS TO DCH

DCH Budget Instructions

- Due September 1, 2006 to Governor's Office of Planning and Budget (OPB)
- For Medicaid, PeachCare for Kids, and State Health Benefit Plan **Benefit** state fund needs
 - DCH may request amounts equivalent to continuation growth to cover status quo growth in program enrollment and cost
 - DCH may discuss enhancement options with the Governor during the fall

Next Steps

- Board Consideration to Approve the following state fund budget submission on September 1, 2006:

Plan	FY 2007A	FY 2008
Medicaid	-	Up to \$300M*
PeachCare for Kids	\$12.2	\$18.3
SHBP	-	\$215M
* To be refined to a specific number by 9/1/06 after DCH closes FY 2006		

- Final Consideration of detailed budget request at August 24, 2006 Board Meeting



Presentation on DCH Website

www.dch.georgia.gov

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